

December 21, 2018

Mr. Kevin McDonald
Chief, Certificate of Need
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Gaudenzia Crownsville – Matter No. 18-24-2421

Dear Mr. McDonald,

Please accept the attached revised completeness review of questions 10-14, based on the email exchange and telephone conference review held this morning, 12/21/2018.

Thank you again for the opportunity to provide additional information in support of this certificate of need application.

Respectfully,



Kristy Blalock, LCPC-S, LCADAS, NCC, BCPC, CADS
Division Director II
Gaudenzia Inc. - Anne Arundel County

Cc: Greg Warren, MBA, Regional Director, Gaudenzia Inc.
Billie Penley, MBA, Acting Health Officer, Anne Arundel County

Statistical and Revenue/Expense Projections (Tables C, D, E,)(see attached)

10. Question 22 asked Gaudenzia to *put the average length of stay for “residential” care of 116 (2016) and 138.8 (2017) and 133 (2018 projected) in context by comparing it to the industry average, and cite the sources of such an average.* The response spoke to the ALOS for 3.7WM and 3.7, but was silent on residential (which was the question).

The average length of stay for levels of care 3.3 and 3.5 for Gaudenzia were 116 (2016), 138.8 (2017) and 133 (2018). The comparison in Maryland industry average for level 3.3 was 88 days. This is based on the most up to date Maryland Behavioral Health Administrations Outlook and Outcomes in Substance-Related Disorders Treatment FY14 report.

Additionally, the average length of stay at our Park Heights 3.7WM program was 7.0 days (2016), &.2 days (2017) projected at 6.87 days (2018). The average length of stay in the 3.7 program was 26.07 days (2016), 27.7 days (2017) and are projected at 26.91 days (2018). The comparison in Maryland industry average for level 3.7WM was 6 days and 15 days for level 3.7. This information is also based on the most up to date Maryland Behavioral Health Administrations Outlook and Outcomes in Substance-Related Disorders Treatment FY14 report.

11. Question 23 noted that Table E -- which should show the incremental statistical projections associated with the new (i.e., III.7/III.7WM) services broken out/set apart from the statistics for the entire facility, i.e., Table C – was not provided. It still hasn’t been. In addition Table F was also not provided, and must be. Note that the purpose of these tables is to isolate the incremental impact of the new service (and those projections should also --- and appear to be -- inherently part of the projected year’s data shown on Tables C and D).

1. We anticipate opening by April 1, 2018 which would result in a quarter of revenue and expenses for the remainder of FY 2018.
2. Since April 1st will be the opening of this brand new 3.7WM and 3.7 levels of care we are projecting a gradually increasing utilization of these 27 beds over April, May and June.
 - a. The average utilization of these new beds over the first quarter will be 50%.

- b. Beginning in FY '19 we will aspire to be 100% utilized but our experience from these similar programs that we manage in Baltimore, Pennsylvania and Delaware has taught us to budget revenue and expenses off of a vacancy/fill rate of 85%.
 - 3. We anticipate that we will be requiring to have 100% of our staff roster filled as of the opening date of April 1st. The reality is that due to the increasing census we may not need to fill all of our Counselor positions on day one but rather hire them with as the census grows. Therefore the financial loss in the first 3 months will be less than the \$208,234 on Table F for FY 2018.
 - 4. We anticipate that the Medicaid rates for 3.7WM and 3.7 will increase 2% each year beginning in FY 2020. We anticipate that we will be giving 2% salary increases each year beginning in FY 2019.
 - 5. We have a 37% Fringe benefit rate for full time salary positions.
 - 6. We have an 8% Indirect Cost rate for all full time salary positions and consultants. Items that are indirect costs are human resources, electronic health record licenses and IT support, in house training etc.
 - 7. The supplies are items such as medical supplies, van leases, food, housekeeping, food for the patients, advertising, etc.
 - 8. We are able to carry a loss during the 4th quarter of FY 2018 because of other revenue streams coming into Crownsville and our programs throughout Maryland.
12. The “patient mix” section of Table D, the application shows “other” as providing 100% of both total revenue and total patient days in 2016 and 2017, thereafter moving to 40% and stabilizing at 30%. If these are not Medicare, Medicaid, Blue Cross, commercial insurance, or self-pay, what is it? Explain or describe “other.”

In Table D, the term “Other” refers to the Behavioral Health Administrations 8507 contract. This is currently the predominant referral source for levels of care 3.5 and 3.3 for the Crownsville facility. This referral source will be decreasing as we increase the number of patients being admitted into the Crownsville facility from a 3.7WM or 3.7 level of care.

13. Your response to question 25 did not address the question asked, which was: *Table D projects a profit margin that grows from 2.3% of expenses to 74% of expenses in 2020. Please comment on how profitability can be so strong and comment on how realistic that is. Add any assumptions behind these numbers that may not have been provided in the original submission.*

Our revenue projections are based on the Medicaid rates published by Beacon Health Options (ASO) and our existing contracts with the Behavioral Health

Administration (BHA 8-507 contract) as well as Anne Arundel County Health Department of Health (crisis beds and halfway house contract). Our expenses are based on a combination of our existing program at Crownsville and what we know the expenses are for 3.7 and 3.7WM at our similar sized program in Baltimore. The facility expenses for this upcoming fiscal year however are not completely known as of yet. Based on the new COMAR 10.63 regulations, we will be adding mental health therapists and urinalysis testing to the facilities budget. In addition, until now, there have been many unknowns for us still based on the new regulations, adjusting to fee for service billing via Beacon and understanding the increased flow of individuals into treatment from our recent addition of 10 crisis beds. We must increase our salaries to regain competitive salaries with outpatient programs, who received rate increases before the increase in residential rates took effect. In the next few months, we anticipate adjusting our salaries significantly to hire the additional staff we need to appropriately manage our programs and our expenses will increase significantly.

TABLE C. STATISTICAL PROJECTIONS - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Projected		Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.			
	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23
1. DISCHARGES								FY 26
a. Residential	86	160	210	260	260	260	260	260
b. III.7 and III.7D	0	0	241	311	311	311	311	311
c. Other (Specify/add rows of needed)								311
TOTAL DISCHARGES	86	160	451	571	571	571	571	571
2. PATIENT DAYS								
a. Residential	9,976	22,214	27,930	34,580	34,580	34,580	34,580	34,580
b. III.7 and III.7D	0	0	4,850	7,952	7,952	7,952	7,952	7,952
c. Other (Specify/add rows of needed)								7,952
TOTAL PATIENT DAYS	9,976	22,214	32,780	42,532	42,532	42,532	42,532	42,532
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)								
a. Residential	116.0	138.8	133.0	133.0	133.0	133.0	133.0	133.0
b. III.7 and III.7D	0.0	0.0	20.1	25.6	25.6	25.6	25.6	25.6
c. Other (Specify/add rows of needed)								25.6
TOTAL AVERAGE LENGTH OF STAY	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
4. NUMBER OF LICENSED BEDS								
f. Rehabilitation	0	0						
g. Comprehensive Care	0	0						
h. Other 3.5 and 3.3	90	90	90	90	90	90	90	90
Crisis beds	0	10	10	10	10	10	10	10
Halfway House	5	5	25	25	25	25	25	25
TOTAL LICENSED BEDS	95	95	140	140	140	140	140	140
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.								
a. Residential	78.9%	78.9%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
b. III.7 and III.7D	#DIV/0!	#DIV/0!	70.0%	95.0%	95.0%	95.0%	95.0%	95.0%
c. Other (Specify/add rows of needed)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL OCCUPANCY %	28.8%	64.1%	64.1%	83.2%	83.2%	83.2%	83.2%	83.2%
6. OUTPATIENT VISITS								
a. Residential								
b. III.7 and III.7D								
c. Other (Specify/add rows of needed) PHP								
TOTAL OUTPATIENT VISITS	0	0	0	0	0	0	0	0

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

Gaudenzia Inc. - Crownsville

TABLE D. REVENUES & EXPENSES, UNINFLATED - ENTIRE FACILITY

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table D should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table C and with the costs of Manpower listed in Table G. Marpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

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TABLE E. STATISTICAL PROJECTIONS - NEW FACILITY OR SERVICE

INSTRUCTION: After consulting with Commission Staff, complete this table for the new facility or service (the proposed project). Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Fiscal Year	Two Most Recent Years (Actual)		Current Year Projected	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.						
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. DISCHARGES										
a. Residential	87	184	252	252	252	252	252	252	252	252
b. III.7 and III.7D				421	843	843	843	843	843	843
c. Other (Specify)										
TOTAL DISCHARGES	87	184	252	673	1,095	1,095	1,095	1,095	1,095	1,095
2. PATIENT DAYS										
a. Residential	10,092	21,344	29,232	29,232	29,232	29,232	29,232	29,232	29,232	29,232
b. III.7 and III.7D				5,241	10,453	10,453	10,453	10,453	10,453	10,453
c. Other (Specify)										
TOTAL PATIENT DAYS	10,092	21,344	29,232	34,473	39,685	39,685	39,685	39,685	39,685	39,685
3. AVERAGE LENGTH OF STAY (Patient days divided by discharges)										
a. Residential	116.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0	116.0
b. III.7 and III.7D	0.0	0.0	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
c. Other (Specify)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL AVERAGE LENGTH OF STAY	116.0	116.0	51.2	36.2	36.2	36.2	36.2	36.2	36.2	36.2
4. NUMBER OF LICENSED BEDS										
f. Rehabilitation										
g. Comprehensive Care										
h. Other (Specify)										
TOTAL LICENSED BEDS	0	0	0	0	0	0	0	0	0	0
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.										
a. Residential	65.0%	72.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
b. III.7 and III.7D	0.0%	0.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
c. Other (Specify)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL OCCUPANCY %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
6. OUTPATIENT VISITS										
a. Residential										
b. III.7 and III.7D										
c. Other (Specify)										
TOTAL OUTPATIENT VISITS	0	0	30	30	30	30	30	30	30	30

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.